

STATE OF WASHINGTON**OFFICE OF
INSURANCE COMMISSIONER****BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON**

In the Matter of)	No. D 01-118
LIBERTY MUTUAL INSURANCE		
COMPANY, THE FIRST LIBERTY		
INSURANCE CORPORATION, LM)	CONSENT ORDER
INSURANCE CORPORATION, LIBERTY		LEVYING A FINE
INSURANCE CORPORATION, LIBERTY		
MUTUAL FIRE INSURANCE COMPANY,		
Authorized Insurers.)	

FINDINGS OF FACT:

1. Liberty Mutual Insurance Company, The First Liberty Insurance Corporation, LM Insurance Corporation, Liberty Insurance Corporation, and Liberty Mutual Fire Insurance Company ("Liberty Mutual") are property and casualty insurers licensed to do business in the State of Washington.
2. The Office of the Insurance Commissioner ("OIC") performed a Market Conduct Examination of Liberty Mutual for the period April 15, 1998 to January 15, 1999. The examination covered activities relating to advertising, complaints, new and renewed policies, forms and rates, agent licensing, underwriting, non-renewal/cancellations/declined to write, and claims settlement practices. The Liberty Mutual examination report was adopted on April 27, 2000.
3. In seventy-four instances Liberty Mutual failed to include applicable license fees, transfer fees and/or sales taxes in first party automobile total loss settlements. In one instance Liberty

Mutual did not use the local market area to determine the cost of a comparable automobile in a first party automobile total loss settlement. Liberty Mutual refunded consumers all amounts due to them after these problems were brought to its attention.

4. In six instances Liberty Mutual failed to provide consumers with true and actual reasons for canceling, denying, or refusing to renew insurance.
5. In eleven instances Liberty Mutual failed to advise claimants of the acceptance or denial of claims within fifteen working days after its receipt of properly executed proofs of loss.
6. In six instances Liberty Mutual misrepresented policy provisions by failing to fully disclose to first party claimants all pertinent benefits, coverages or other provisions of insurance policies or contracts when such benefits, coverages or other provisions were pertinent to a claim.
7. In nine instances Liberty Mutual failed to complete investigation of claims within thirty days after notification of the claims.
8. In twelve instances Liberty Mutual failed to furnish appropriate replies to pertinent communications within fifteen days.
9. In two instances Liberty Mutual refused to renew coverage of an automobile insurance policy on the basis that an insured covered by the policy submitted claims under the comprehensive, road service or towing coverage of the policy.
10. In three instances automobile insurance policies did not contain Personal Injury Protection coverage although no signed rejections were on file.
11. In one instance Liberty Mutual failed to respond to a letter from the husband of a claimant. In another instance the Company did not pay a repair bill until ninety-two days after receipt.
12. Liberty Mutual issued sixty-two policies using nine policy forms that had not been approved by OIC.
13. Five sales representatives solicited policies in Washington without the appropriate license from OIC and appointment by Liberty Mutual.
14. In thirteen instances claim files failed to contain all notes and work papers pertaining to the claims in such detail that pertinent events and the dates of such events could be reconstructed. In four instances Liberty Mutual could not find claim files requested by the OIC.
15. Seven advertisements used by Liberty Mutual did not include the full name of the insurer and location of its home office or principal place of business.
16. In numerous instances, the Company failed to conduct business in its own legal name on correspondence, checks and policies.
17. In one instance Liberty Mutual issued a binder for longer than one year.
18. Liberty Mutual cooperated fully with the Market Conduct Examination, and in many instances undertook remedial actions to improve business practices as the examination continued. The OIC found no evidence of willful violation of Washington laws or regulations.

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CONCLUSIONS OF LAW:

1. Liberty Mutual's failures to include applicable license fees, transfer fees and/or sales taxes in first party automobile total loss settlements, and its failure to use the local market area to determine the cost of a comparable automobile in a first party automobile total loss settlement violated Washington Administrative Code ("WAC") 284-30-390.
2. Liberty Mutual's failures to provide actual reasons for canceling, denying or refusing to renew insurance violated WAC 284-30-570.
3. Liberty Mutual's failures to advise first party claimants of the acceptance or denial of claims within fifteen working days after receipt by the insurer of properly executed proofs of loss violated WAC 284-30-380.
4. Liberty Mutual's failures to fully disclose to first party claimants all pertinent benefits, coverages or other provisions of insurance policies or contracts, when such benefits, coverages or other provisions were pertinent to a claim violated WAC 284-30-350.
5. Liberty Mutual's failures to complete investigations of claims within thirty days after notification of the claim violated WAC 284-30-370.
6. Liberty Mutual's failures to provide adequate replies to pertinent communications from claimants within fifteen working days violated WAC 284-30-360.
7. Liberty Mutual's failures to provide personal injury protection coverage when the insured did not reject the coverage in writing violated Revised Code of Washington ("RCW") 48.22.085.
8. Liberty Mutual's refusals to renew coverage of automobile insurance policies on the basis that the insured submitted claims under the comprehensive, road service or towing coverage of the policy violated RCW 48.18.292.
9. Liberty Mutual's failure to acknowledge and act reasonably promptly upon communications with respect to claims arising under its insurance policies violated WAC 284-30-330.
10. Liberty Mutual's issuance of policies using forms not approved by OIC violated RCW 48.18.100.
11. Liberty Mutual violated RCW 48.05.140(9) by accepting applications for policies issued in Washington State from agents who were not licensed in this state.
12. Liberty Mutual's acceptance of applications for policies from agents who had not been appointed in Washington State violated RCW 48.17.160.
13. Liberty Mutual's failures to maintain files such that they contained notes and work papers pertaining to claims in such detail that pertinent events and the dates of such events could be reconstructed violated WAC 284-30-340.
14. Liberty Mutual's failures to include the full name of the insurer and location of its home office or principal office violated RCW 48.30.050.
15. Liberty Mutual's failures to conduct business in its own legal name violated RCW 48.05.190.
16. Liberty Mutual's issuance of a binder which extended beyond ninety days violated RCW 48.18.230.

CONSENT TO ORDER:

Liberty Mutual wishes to resolve this matter without further administrative or judicial proceedings and hereby admits to the foregoing Findings of Fact and Conclusions of Law. Liberty Mutual hereby consents to the entry of this order and acknowledges its duty to comply fully with the applicable laws of the State of Washington.

By agreement of the parties, the OIC will impose a fine of \$131,000 upon the Company, and suspend \$54,000 of that fine on condition that:

1. Liberty Mutual pay \$77,000 of the fine within thirty days of the entry of this Order.
2. Liberty Mutual adhere to the terms of the Compliance Plan set forth in Exhibit 1 attached hereto.
3. Liberty Mutual require those persons responsible for the solicitation, procurement, or placement of any kind of insurance to an insured domiciled in Washington State to inquire about, and be certain that, such solicitation, procurement, or placement is made only through a person licensed under chapter 48.17 RCW.
4. Liberty Mutual commit no further violations of the statutes and regulations that are the subject of this Consent Order for a period of eighteen months from the date on which this Consent Order is entered. Liberty Mutual shall not be subject to the suspended portion of the fine should it commit isolated, de minimis violations of the laws and regulations which are the subject of this Order, as determined by the OIC.

Pursuant to RCW 48.05.185, failure to pay the fine timely or to fulfill the stated conditions shall constitute grounds for the revocation of the insurer's certificate of authority, and for the recovery of the full fine, including the suspended portion, in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED this 19th day of December, 2001 by:

LIBERTY MUTUAL INSURANCE COMPANY

Signed Name: _____

Printed Name: _____

Printed Title: _____

THE FIRST LIBERTY INSURANCE CORPORATION

Signed Name: _____

Printed Name: _____

Printed Title: _____

LM INSURANCE CORPORATION

Signed Name: _____

Printed Name: _____

Printed Title: _____

LIBERTY INSURANCE CORPORATION

Signed Name: _____

Printed Name: _____

Printed Title: _____

LIBERTY MUTUAL FIRE INSURANCE COMPANY

Signed Name: _____

Printed Name: _____

Printed Title: _____

ORDER:

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of One Hundred Thirty One Thousand Dollars (\$131,000) upon Liberty Mutual Insurance Company, The First Liberty Insurance Corporation, LM Insurance Corporation, Liberty Insurance Corporation and Liberty Mutual Fire Insurance Company, and suspends Fifty-four Thousand Dollars (\$54,000) of that fine under the conditions set forth in the Consent to Order section of this Consent Order. Seventy-seven Thousand Dollars (\$77,000) of the fine must be paid in full within thirty days of the entry of this order in Olympia, Washington. Failure to pay the fine timely or to fulfill the stated conditions shall constitute grounds for the revocation of the insurer's certificate of authority, and for the recovery of the full fine, including the suspended portion, in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

Execution of this Consent Order and fulfillment of the terms and conditions of this Order will settle all violations arising from the Market Conduct Examination of Liberty Mutual's operations that were the subject of the report adopted on April 27th, 2000.

ENTERED AT OLYMPIA, WASHINGTON on this 20th day of February, 2002.

Mike Kreidler

Insurance Commissioner

By: _____

Charles D. Brown

Staff Attorney, Legal Affairs

